

Business leagues; attracting national conventions. A nonprofit organization, formed by a city's civic leaders, public officials, businessmen, and representatives of the community-at-large to encourage conventions of national organizations in the city by making arrangements for facilities, services, and administrative support necessary to run a convention, qualifies for exemption under section 501(c)(6) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was formed by a group of civic leaders, public officials, businessmen, and representatives of the community-at-large in a particular city for the purpose of encouraging national organizations to hold their conventions in that city. The organization accomplishes its purpose by representing the city in negotiations with organizations that are looking for potential convention sites. As an inducement to attract conventions, the organization offers to provide the visiting organization with facilities, services, and administrative support necessary to run its convention. This includes making arrangements with the city to assure the availability of an appropriate auditorium and meeting rooms, public transportation, police protection, and other special municipal services. In addition, the organization agrees to arrange for numerous auxiliary services necessary to prepare the facilities for the convention, including communications and audio equipment, furnishings and decorations, insurance coverage, adjacent office space, and other supportive services.

Further, the organization arranges for the many private services and facilities needed to accommodate persons attending the convention, such as hotel space, private transportation, and banquet halls.

Once the city is selected as a convention site, the organization acts as a welcoming committee by arranging for favorable public relations between the visiting organization and the community, and by providing the agreed-to services, facilities, and administrative support. The organization receives most of its support from fund-raising events and contributions from the general public.

Section 501(c)(6) of the Code provides, in part, for the exemption from Federal income tax of business leagues, chambers of commerce, real-estate boards, and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private individual or shareholder.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a

business league as an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The attraction of business to a community is an appropriate activity for an organization described in section 501(c)(6) of the Code. See, for example, Rev. Rul. 70-81, 1970-1 C.B. 131, which holds that the exempt status of a chamber of commerce under section 501(c)(6) is not adversely affected by the development of an industrial park in order to attract new industry to the community. The attraction of new business serves to promote the common economic interest of businesses throughout the community.

By attracting national conventions to a particular city, the organization is accomplishing its purposes in a manner that is similar to the development of an industrial park. Such conventions require an extraordinary amount of goods, services, and facilities, and thereby stimulate and promote the common economic interest of businesses throughout the community. Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(6) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(6) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.